

Price hikes on basic food items 'unjustified' - Competition Commission

The Competition Commission has accused food producers and retailers of subjecting South African consumers to unjustified food price increases over a two-year period.



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According to the Commission's latest [Essential Food Pricing Monitoring](#) (EFPM) report for 2021 to 2022, there were unjustified price increases of sunflower oil, and white and brown bread, and opportunistic price increases in maize meal. Key trade policy decisions also affected the price of poultry products in 2022, the Commission said.

"The food sector remains a priority for the Commission as poor consumers spend a significant portion of their income on essential food items. As food inflation remains elevated and load shedding continues to affect business operations, food price monitoring will remain a priority for the Commission given its importance to the welfare of South Africans," the competition watchdog said.

This is the eighth EFPM report since 2020, and the latest edition includes the following findings:

- From January 2022 to December 2022 white and brown bread retail prices (20% and 19% respectively) have increased faster than producer prices (15% for white bread and 14% for brown bread) implying that shelf price (R15.47 to R18.62 for white bread and R13.99 to R16.61 for brown bread) increases may not be justified by costs.
- The price of maize meal increased 32% going from R26.62 to R35.29 from January to December 2022 while the South African Futures Exchange (Safex) price of white maize increased at a slower rate, resulting in the price of maize charged by farmers being a lower proportion of the retail price of maize meal over the year. "This is concerning and may indicate opportunistic behaviour throughout the value chain and raises questions about the use of export parity pricing throughout the maize value chain," the Commission said.
- The prices of the five fruits and vegetables were generally volatile over 2022 and an in-depth value chain analysis will

be conducted by the Fresh Produce Market Inquiry.



Commission launches Fresh Produce Market Inquiry

27 Mar 2023



Poultry value chain

The latest EFPM report includes a special focus on the feed-to-poultry value chain, specifically individually quick-frozen (IQF) chicken products. The Commission said that feed costs account for more than two-thirds of broiler production costs and are therefore a source of upward cost and pricing pressure throughout the poultry value chain.

"The feed-to-poultry value chain is highly concentrated with five firms making up 70% of total chicken production and the top two firms making up 50% of the market," it noted.

Some of the report findings in relation to the poultry value chain include:

- The price of grains and oilseeds used to manufacture animal feed namely wheat, maize, soya beans, and sunflower oil, were volatile and increased over 2021 and 2022.
- Over the same period, the price of poultry feed was relatively stable.
- It is forecasted that raw material costs may fall over the first half of 2023. The Commission will monitor the extent and degree to which these reductions are transmitted to feed prices and ultimately to chicken prices at the retail level.
- Feed prices increased faster than the producer price of IQF products, which are the most widely consumed chicken products in South Africa. Despite this cost pressure, producers reported improvements in their financial performance largely driven by high feed prices.

The report also noted that when chicken imports from the European Union were banned in response to the avian flu outbreak, domestic producer prices increased. "This anomaly requires further interrogation, and the Commission will closely monitor the developments in the poultry sector to ensure that consumers are not subjected to unjustified price increases," the organisation said.



CompCom concerned consumers being overcharged on sunflower oil, bread

25 Aug 2022



Increased margins at processor and retailer level

The Commission stated the EFPM reports to date have pointed to concerning features in several food markets and value chains. Examples include larger differences between what farms get paid for food items and in-store prices, growing margins at the processor and retailer level, and potential opportunistic pricing behaviour for staple food products such as bread and cooking oil.

This includes the Commission's [August 2022 analysis](#) of steep prices for sunflower oil throughout the value chain. Therefore, the Commission is investigating the price of a range of essential food products (bread, cooking oils, maize meal, rice, flour, margarine, and pasta) at the retail and wholesale levels.

The Commission also recently launched a [Fresh Produce Market Inquiry](#) to assess if there are features in these markets that impede competition.

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